



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 77** SLS 09RS 352
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 23, 2009	5:20 PM	Author: MICHOT
Dept./Agy.: Revenue		
Subject: State Sales Tax On Meals At Certain Institutions		Analyst: Greg Albrecht

TAX/SALES

OR -\$750,000 GF RV See Note

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Ends the "suspension" and makes retroactive from January 1, 1998, the sales tax exemption granted for on-premises, non-public sales of meals furnished to the staff and students of educational institutions; the staff and patients of hospitals and Current law provides a sales tax exemption to meals furnished to staff, students, patients, inmates, boarders, etc. by various institutions (educational, hospitals, rooming houses, occasional meals, etc.). Meals provided to the general public have never been exempt from tax under this provision. This exemption has been suspended to varying amounts of the state’s 4% sales tax and for varying time periods since 1985, thus, subjecting these meals to varying tax liability since then. Currently, these meals are subject to a 4% tax liability through June 30, 2009, and then to a 1% liability thereafter. Proposed law removes 3% of tax liability from January 1, 1998, and also removes the 1% tax liability in place after June 30, 2009 from January 1, 1998 as well, making these meals fully tax exempt from FY10 and beyond, and retroactively not subject to tax for the past several years. Prohibits refunds of these taxes if correctly computed and not paid under protest with suit filed for their recovery. The Department of Revenue is authorized to adopt and promulgate rules for the administration of this provision. Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$3,750,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$3,750,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The Department of Revenue indicates that it is unaware of any elementary or secondary education institutions ever remitting tax under this provision. In addition, public health institutions are exempt from sales taxes under other provisions of law. Thus, any ongoing tax collections are likely to have come only from food service providers at private hospitals, nursing homes, and universities, and the department is aware of remittances from university providers beginning only this calendar year. The department indicates that audits performed on these food service providers suggests as much as \$40 million per year of meal transactions subject to tax; a \$400,000 per year tax liability at 1% of tax. Available beds, occupancy rates, and daily food costs averages provided by the Louisiana Hospital Association, StateHealthFacts.org, DHH private nursing home medicaid cost reports, and HCSD suggest that the 1% tax liability of private health institutions might be less than \$150,000 per year. This estimate is generated from a variety of different data sources, and seems fairly low. However, if doubled or even tripled, the total amount of 1% tax liability addressed by this bill still seems likely to be under \$1 million per year.

The bill’s retroactive effectiveness of the exemption to the different levies of the state’s 4% sales tax appears aimed at insuring that affected taxpayers are not liable for taxes they did not remit in past periods. In addition, the bill is explicitly retroactive and prohibits refunds of these taxes if they were correctly computed and were not paid under protest with suit filed for their recovery.

Senate

☐ 13.5.1 >= \$500,000 Annual Fiscal Cost

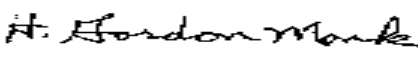
☒ 13.5.2 >= \$500,000 Annual Tax or Fee Change

Dual Referral Rules

House

☐ 6.8(F) >= \$500,000 Annual Fiscal Cost

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease



H. Gordon Monk

Legislative Fiscal Officer